

Message Text

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SUBJ: BACKGROUND ON CURRENT PROBLEMS OF MOROCCAN TEXTILE INDUSTRY

REF: (A) RABAT 4703, (B) RABAT 4677, (C) BRUSSELS 8154,
(D) RABAT 3703

1. SUMMARY: MOROCCAN TEXTILE INDUSTRY HAS BEEN HARD HIT BY RECENT EC RESTRICTIONS ON TEXTILE IMPORTS. MOROCCANS FEEL THEY HAVE BEEN UNFAIRLY PUT INTO SAME CATEGORY AS MAJOR EAST ASIAN EXPORTERS, AND ARE CONCERNED THAT EC MEASURES CAN HAVE SERIOUS ECONOMIC REPERCUSSIONS AS WELL AS CAUSE FURTHER DETERIORATION IN COUNTRY'S ALREADY LARGE TRADE DEFICIT. THIS MESSAGE HIGHLIGHTS MAIN THEMES OF MOROCCAN CONCERN AND PRESENTS BRIEF OVERVIEW OF DOMESTIC TEXTILE INDUSTRY. IT SHOULD BE READ IN CONJUNCTION WITH REFTELS A AND B. END SUMMARY.

2. THE EC'S QUANTITATIVE AND ADMINISTRATIVE RESTRICTIONS ON
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TEXTILE IMPORTS HAVE SEVERELY IRRITATED AND WORRIED THE MOROCCANS FOR A VARIETY OF REASONS, PROMPTING THEM TO IMPOSE THEIR OWN RESTRICTIONS ON TEXTILE IMPORTS (SEE REFTELS A AND B FOR DETAILS). FIRST, THE MOROCCANS OBJECT TO BEING LUMPED TOGETHER WITH HONG KONG, SINGAPORE, SOUTH KOREA, TAIWAN, PAKISTAN, AND INDIA WHICH ARE FAR LARGER SUPPLIERS TO EC MARKET THAN MOROCCO. MORE IMPORTANT, MOROCCANS BELIEVE THAT EAST ASIAN SUPPLIERS ARE GUILTY OF

ILLEGALLY FLOODING THE EC WITH TEXTILES. THEY BELIEVE EAST ASIAN TEXTILE SUPPLIERS TRIGGERED THE EC REACTION BY PROGRESSIVELY INCREASING THEIR SHIPMENTS TO COMMUNITY MEMBERS OTHER THAN FRANCE, WHERE LABELS OF ORIGIN ARE ALLEGEDLY REPLACED AND THE GOODS THEN RE-EXPORTED TO FRANCE UNDER INTRA-COMMUNITY REGULATIONS, THUS CAUSING SEVERE DAMAGE TO THE FRENCH TEXTILE INDUSTRY. AS REPORTED IN THE SEMI-OFFICIAL MAROC-SOIR EDITORIAL OF AUGUST 25, MOROCCANS ALSO BELIEVE THAT A FURTHER FACTOR CONTRIBUTING TO THE FRENCH TEXTILE INDUSTRY'S CURRENT DIFFICULTIES IS ITS BASIC UNCOMPETITIVENESS, CAUSED PRIMARILY BY OLD MACHINERY AND OVERPRICED WORKERS. EDITORIAL SUGGESTED FRENCH SHIFT RESOURCES AWAY FROM TEXTILE PRODUCTION TO TEXTILE MACHINERY WHICH COULD BE EXPORTED.

3. SECOND, THE MOROCCANS HAVE DENOUNCED THE EC FOR NOT UTILIZING THE COMMUNITY'S INSTITUTIONAL PROCEDURES FOR DEALING WITH ASSOCIATED STATES SUCH AS MOROCCO. AT THE END OF THE AUGUST 17 MEETING AT WHICH MOROCCO'S RETALIATORY IMPORT MEASURES WERE ANNOUNCED, PRIME MINISTER OSMAN INSTRUCTED MOROCCO'S AMBASSADOR TO THE EC TO MAKE THE STRONGEST POSSIBLE PROTEST AGAINST ITS TRADE MEASURES, AND TO SEEK THEIR EARLY REVERSAL. MOROCCANS ARE PARTICULARLY UNHAPPY SINCE THEIR OVERALL IMPORTS FROM THE EC ARE TWICE THEIR EXPORTS.

4. GOM IS EVEN MORE CONCERNED, HOWEVER, ABOUT REPERCUSSIONS ON EXPORTS AND THE DOMESTIC ECONOMY. ALTHOUGH MOROCCO'S TEXTILE LIMITED OFFICIAL USE

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INDUSTRY BARELY EXISTED BEFORE THE INDEPENDENCE OF MOROCCO IN 1956, IT IS NOW THE LARGEST INDUSTRIAL SECTOR OF THE ECONOMY IN TERMS OF WORK FORCE (66,000 EMPLOYEES) AND TURNOVER (DH 2.2. BILLION IN SALES IN 1976, OF WHICH 35 PERCENT OR DH 586 MILLION WENT FOR EXPORT). AS IT HAS CONTINUED TO GROW, THE INDUSTRY'S DEPENDENCE ON EXPORTS, ESPECIALLY TO THE EC, HAS SUBSTANTIALLY INCREASED. IN 1976, THE EC RECEIVED 76 PERCENT OF MOROCCO'S TEXTILE EXPORTS OF WHICH 40 PERCENT WENT TO FRANCE ALONE. THE EC RESTRICTIONS ON TEXTILE IMPORTS WILL NOW AFFECT 75 PERCENT OF MOROCCO'S GARMENT EXPORTS.

5. IN MACROECONOMIC TERMS, THE IMPORTANCE OF TEXTILES IN MOROCCO IS INDICATED BY THE FACT THAT THE INDUSTRY ACCOUNTS FOR 5.9 PERCENT OF GNP, WITH TEXTILE EXPORTS MAKING UP 10.5 PERCENT OF TOTAL EXPORTS. IN ADDITION, THE INDUSTRY IS GEOGRAPHICALLY DISPERSED AND MADE UP OF A LARGE NUMBER OF MEDIUM-SIZE FACTORIES. ALTOGETHER THERE ARE 760 TEXTILE PLANTS IN MOROCCO, 60 PERCENT IN CASABLANCA, 20 PERCENT IN FES-MEKNES, 10 PERCENT IN TANGIER, AND 10 PERCENT ELSEWHERE. SIX NEW FACTORIES ARE BEING COMPLETED IN FES-MEKNES AND CASABLANCA, AND TWO EXPENSIVE NEW PLANTS ARE ABOUT TO OPEN IN OUED ZEM (DH 193 MILLION) AND SETTAT (DH 67 MILLION). OVER 300 OF THESE PLANTS HAVE NO MORE THAN 10 EMPLOYEES. WITH

EUROPEAN EXPORTS DRASTICALLY CUT, RESPECTED ECONOMIC JOURNAL LA VIE ECONOMIQUE PREDICTED THAT UNEMPLOYMENT IN THE INDUSTRY COULD HIT 50 PERCENT, WIDELY AFFECTING THE COUNTRY'S MAIN INDUSTRIAL AREAS AND SEVERLY DAMAGING THE NEW, HIGHLY RATIONALIZED EXPORT-DEPENDENT FACTORIES.

6. BOTH GOVERNMENT AND TEXTILE INDUSTRY QUICKLY GRASPED THE IMPLICATIONS AND HAVE RAPIDLY IMPLEMENTED A SERIES OF PROTECTIVE MEASURES. BESIDES ATTEMPTING TO PERSUADE THE EC TO REPEAL OR MODIFY ITS RESTRICTIVE MEASURES THROUGH DIPLOMATIC MEANS, PUBLIC OPPROBRIUM AND RETALIATORY MEASURES OF ITS OWN, THE GOM HAS ALSO STEPPED UP AN EXPORT DRIVE OUTSIDE THE EC, FOCUSSED PARTICULARLY ON AFRICA AND THE ARAB WORLD. THEY MAY ALSO SEEK TO PARTICIPATE MORE WIDELY IN THE U.S. MARKET (SEE REFTEL B FOR DETAILS).
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THERE IS NO DOUBT, HOWEVER, THAT THESE MEASURES WILL TAKE TIME TO HAVE ANY SALUTARY EFFECTS ON THE MOROCCAN TRADE BALANCE, WHICH IS ALREADY \$1.35 BILLION IN DEFICIT AND WILL ALMOST SURELY WORSEN DURING 1977, POSSIBLY ATTAINING A FIGURE OF AROUND \$1.65 BILLION OR MORE. THE MOROCCAN TEXTILE INDUSTRY IS CLEARLY IN A SUDDEN AND SUBSTANTIAL BIND. SHOULD THERE BE NO SWIFT REDRESS IN EC RESTRICTIONS, AND TAKING INTO ACCOUNT THE INHERENT DIFFICULTIES OF DIVERSIFYING EXPORT MARKETS, THE INDUSTRY IS CERTAIN TO BE IN A HIGHLY UNSETTLED STATE FOR SOME TIME TO COME.
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